IRS Power 'Abused,' Study Says

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Senate investigators warned yesterday that the Internal Revenue Service seems unable to prevent investigative excesses when it strays from enforcement of the nation's tax laws.

The staff of the Senate intelligence committee said it found "serious abuse of IRS power" even when the service lent itself to "laudable non-tax objectives" such as drives against organized crime.

The committee did not recommend a halt to such efforts, but the staff said in a special study that "more effective oversight and new controls over IRS intelligence gathering are necessary if the IRS is to be used for any non-tax purpose."

The 83-page report said that "Operation Leprechaun, for example, was an effort to employ IRS investigative power to combat political corruption. The operation led to the collection of details on the personal and sexual lives of certain Florida political figures and to illegal acts on the part of IRS informants."

In short, the Senate study said, the IRS has repeatedly lost control over investigative techniques and lost its ability to use the information it gathers whenever it becomes diverted from its "classical function ... the investigation of specific allegations of tax fraud."

With 2,800 special agents and sweeping powers to gather financial information, the IRS Intelligence Division "represents a great investigative capability," the report said.

As a consequence, Congress, the Federal Bureau of Investigation and even the White House have sought, sometimes successfully, to direct the efforts of IRS against certain groups or individuals, many of whom would not have been investigated under normal IRS criteria.

The Senate report said IRS had "little basis for resisting pressure when it was applied" by these other agencies, partly because of the lack of laws limiting the information the IRS can gather.

In addition, the investigators said, IRS did not always attempt to resist.

In the late 1960s and early 1970s, the report said, many individuals and organizations were targeted for investigation by the IRS' initially secret and since-abandoned Special Service Staff "essentially because of their political activism rather than because specific facts indicated tax violations were present."

"The evidence Senate investigators said, suggests the IRS readily acceded to the congressional and White House pressure which led to the formation of the Special Service Staff, and that the targets of the staff's activities were, in practice, largly determined by input from the FBI for reasons unrelated to tax enforcement."

The report traced outside pressures on the IRS back to 1951 when Senate investigations of organized crime, headed by the late Estes Kefauver (D-Tenn.), led to the creation of a "racketeer program" in IRS.

The next year, the investigations reached a peak of 12,879 racketeer cases, but then dwindled under the Eisenhower administration, "which consistently declined to provide special funds for racketeer work."

The Kennedy administration changed all that with the start of the government's Organized Crime Drive in February, 1961, under Attorney General Robert F. Kennedy.

Since the IRS had been decentralized in 1952 "in an effort to prevent widespread political influence" that congressional investigations of the time uncovered, a new centralized IRS structure for organized crime intelligence work was set up in Washington.

As a result, the report said, the directors of the 58 IRS districts created in 1952 "lost effective operational authority" over organized crime investigations. "Use of general law enforcement techniques of all kinds, including paid informants and electronic surveillance, increased sharply."

Such undertakings, which have come to be known as "unbalanced enforcement" of the tax laws, have led to a variety of abuses, the report said, including "excessive zeal and departure from other normal criteria of IRS operation" and by bypassing of normal administrative mechanisms which usually serve to "check excess and abuse at the lower levels."

The Senate investigators also traced the controversial Special Services Staff and its pursuit of political activists in the Nixon administration to the IRS' "test audit" of right-wing organizations in 1961 "which had drawn stern criticism" from President Kennedy. That 1961 targeting of taxpayers because of political ideologies and actions "established a foundation and precedent for the later Special Service Staff," the study said.

Time and again, the Senate study suggested that the IRS' departures from "balanced tax enforcement" in pursuit of other goals, whether those goals are right or wrong, have been the agency's basic flaw.

"Every time the IRS has made a concentrated effort to participate in law enforcement activities with non-tax objectives, it has found it necessary to deviate in some way from its normal organization," the report said. "The resulting hybrid organizations, created to participate in other than strict tax enforcement activities, have been responsible for many of the abuses of which IRS intelligence has been guilty during the last 25 years."